



**NATIONAL
HOSPITAL
MANAGEMENT
SERVICES LTD.**

**ANNUAL
REPORT**
1969



NATIONAL HOSPITAL MANAGEMENT SERVICES LTD.

OFFICERS OF THE COMPANY

President	Neil B. Cook
Exec. Vice President	Gordon McKee
General Manager	Donald I. Dewar
Director of Personnel	Marjorie C. Dillingham
Secretary	Nora Agabob
Treasurer	D. James Dodd

DIRECTORS

Neil B. Cook	Vancouver
Neil Colville	Vancouver
Gordon McKee	North Vancouver
Lawrence Hynes	Toronto
William A. Clarke	Toronto
Donald I. Dewar	Burnaby
Marjorie Dillingham	Richmond

AUDITORS

Thorne, Gunn, Helliwell & Christenson

BANK

The Mercantile Bank of Canada

SOLICITORS

Freeman, Freeman, Silvers & Koffman, Vancouver
Fraser & Beatty, Toronto

TRANSFER AGENT & REGISTRAR

Canada Permanent Trust Company, Vancouver, Toronto,
Winnipeg, Calgary, Montreal

LISTED

Vancouver Stock Exchange

OFFICES OF THE COMPANY

1305 - 1030 W. Georgia Street, Vancouver, B.C.



NURSING HOMES OWNED

Chinook Nursing Home	1	Calgary, Alberta
Southwood Nursing Home	2	Calgary, Alberta
Brentwood Nursing Home	3	Calgary, Alberta
Parkside Nursing Home	4	Regina, Saskatchewan
Altamont Nursing Home	5	Westhill, Ontario
Tullamore Nursing Home	6	Brampton, Ontario
Cheltenham Nursing Home	7	Willowdale, Ontario
Rockcliffe Nursing Home	8	Scarborough, Ontario
Chelsey Park Nursing Home (under construction)	9	Cooksville, Ontario

PRIVATE HOSPITALS MANAGED UNDER CONTRACT

Sandringham Private Hospital	10	Victoria, British Columbia
Oak Lodge Private Hospital	11	Victoria, British Columbia
Normandy Private Hospital	12	Vancouver, British Columbia
Kensington Private Hospital	13	Vancouver, British Columbia
Cambie Private Hospital	14	Vancouver, British Columbia
Willingdon Private Hospital	15	Burnaby, British Columbia

PROPERTY HELD FOR FUTURE CONSTRUCTION

Toronto, Ontario
Burlington, Ontario

Peterborough, Ontario
Winnipeg, Manitoba

REPORT TO SHAREHOLDERS

In the period between conversion to a public company on April 23, 1969 and the end of the fiscal year, May 31, 1969, your company underwent several major and important changes.

Late in the month of April 1969 the name of the company was changed from Greca Holdings Ltd. to National Hospital Management Services Ltd.

Your company acquired the management of six private hospitals in British Columbia, having a total of 384 beds, for a fee based on gross revenues of the hospitals. It also acquired all the issued shares of Brentwood Nursing Home Ltd. and Southwood Nursing Home Ltd., both of which own and operate nursing homes of 120 bed capacity in Calgary, Alberta.

Your company divested itself of its share interest in an apartment block in Regina, Saskatchewan and in three residential development companies in British Columbia, Manitoba, and Ontario. As a result your company is now engaged solely in the development, construction, ownership and management of nursing homes and private hospitals.

On July 15, 1969 your company effected its initial offering to the public of securities consisting of common shares, share purchase warrants and convertible debentures. The proceeds of the offering were used to retire long term debt and advances from a shareholder. The balance is being used to finance nursing home development.

Financial Statements

Your company's financial position and the results of its operations for the year

ended the 31st of May, 1969 are shown in the financial statements which are part of this report. It should be recognized that as a result of the company's acquisitions and disposals these statements do not fully reflect the position or operation of your company as it is now constituted. The balance sheet shows the position prior to the public financing in July 1969 which is described in the notes to the statements. The statement of income includes the operations of several subsidiaries which were sold in April 1969 and which had incurred aggregate losses of \$61,389. Furthermore, the statement of income does not include the operating results of the Brentwood and Southwood Nursing Homes except for the short period between their acquisition in April 1969 and the end of the fiscal year. It is anticipated that these two homes will provide an additional annual revenue of approximately \$90,000 before taxes. The statement also includes management fee earnings from the six private hospitals in British Columbia for the month of May 1969 only. This fee is based on seven percent of gross revenue and should produce approximately \$100,000 in annual revenue. For the above reasons the accompanying financial statements are of limited use to the shareholders in appraising their investment in the company. Your directors, however, intend to issue unaudited quarterly statements. The first, to August 31, 1969, has already been mailed.

Operations

The past year has been one of growth for your company. In 1968 construction commenced on the company's largest nursing home in Scarborough, Ontario. The completion of this 204 bed facility on September 1, 1969 raised your company's overall bed total to 1200. It is anticipated that

the majority of the company's future nursing homes will each contain in excess of 200 beds.

Other highlights of the year included the planning of an 83 bed addition to the Parkside Nursing Home in Regina, which will be opened December 15, 1969. Also, construction of the 235 bed Chelsey Park Nursing Home in Cooksville, Ontario is underway and should be completed by February 1, 1970. In addition, your company has recently acquired property for future construction in Toronto, Burlington, and Peterborough, Ontario, and in Winnipeg, Manitoba.

The enactment of new and stricter laws governing the standards of operation and safety measures are phasing out a high percentage of nursing homes that do not meet minimum standards.

Your company is fully aware of the need for better nursing home facilities. Catering to those who are chronically ill has become a sizeable challenge, and to meet this challenge your company provides some of the most modern, safe, comfortable, and pleasant facilities in Canada. The prime objective has been to create nursing homes where the dignity of the individual is preserved. To this end your company has provided, in addition to physical care, facilities for the spiritual and emotional well-being of its residents, each home having an interdenominational chapel. In addition, to raise and maintain morale, programs of occupational therapy have been developed—programs in which the surrounding community's clubs and organizations generously participate.

The Future

Medical and scientific advances in the last decade are steadily increasing longevity and, as a result, the aged rep-

resent an increasing proportion of Canada's population. The 1961 census indicated that the number of persons aged sixty-five and over stood at 1,391,000. Taking a middle projection of the Royal Commission on Canada's Economic Prospects, the number in 1980 is likely to be some 2,379,000. Their projection to 1980 indicates 8.9% of the population of Canada will be sixty-five or over. One result of this will be a need for an increasing number of nursing homes for the aged. To play a major role in the construction of these facilities is the objective of your company.

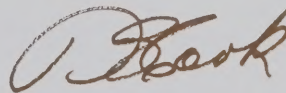
Overall demand is increasing faster than new nursing homes are being constructed. It is estimated that by 1975 there will be a need for an additional 25,000 beds in Ontario alone. To meet this need facilities for 5000 beds would have to be constructed each year until 1975.

From these projections the extent of your company's responsibility in the field of nursing home construction is clear, and it is a responsibility the company is determined to fully accept.

Staff

The devotion and unstinting efforts of the members of the staff throughout the history of the company, and particularly during this important year of change, is worthy of special mention at this time.

Respectfully submitted on behalf of the Board of Directors,



Neil B. Cook, President

October 15, 1969.

NATIONAL HOSPITAL MANAGEMENT SERVICES LTD.

(formerly Greca Holdings Ltd.)

and subsidiary companies

CONSOLIDATED

AT MAY

ASSETS

CURRENT ASSETS

Cash	\$	31,507	
Patients' funds held in trust		40,335	
Accounts receivable		150,070	
Prepaid expenses and security deposits		<u>66,063</u>	\$ 287,975

ADVANCES TO SHAREHOLDERS (Note 10) 296,002

ADVANCES TO AFFILIATED COMPANIES (Note 10) 1,710,991

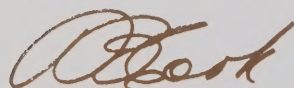
FIXED ASSETS, at cost

Land		1,276,971	
Buildings	\$5,354,121		
Furniture and equipment	1,024,350		
Construction in progress	<u>1,029,507</u>		
	7,407,978		
Less accumulated depreciation (Note 2)	<u>1,148,655</u>	<u>6,259,323</u>	7,536,294

OTHER ASSETS AND DEFERRED CHARGES

Excess of cost over book value at date of acquiring subsidiaries		1,279,289	
Financing costs (Note 6)		<u>17,195</u>	1,296,484
			<u>\$11,127,746</u>

Approved on behalf of the Board



Director



Director

BALANCE SHEET

1, 1969

LIABILITIES

CURRENT LIABILITIES

Patients' trust liabilities	\$ 40,335	
Accounts payable and accrued liabilities	467,122	
Advances from patients	20,277	
Principal instalments due within one year on long-term debt	123,688	\$ 651,422

ADVANCES FROM AFFILIATED COMPANIES 7,122

LONG-TERM DEBT (Note 3) 10,097,526

Total liabilities 10,756,070

CAPITAL STOCK AND DEFICIT

CAPITAL STOCK (Notes 4 and 5)

Authorized - 4,000,000 common shares of no par value	
Issued - 2,500,000 common shares	601,000

DEFICIT (229,324) 371,676

COMMITMENTS (Note 6)

CONTINGENT LIABILITY (Note 7)

\$11,127,746

AUDITORS' REPORT

To the Shareholders of

National Hospital Management Services Ltd.

We have examined the consolidated balance sheet of National Hospital Management Services Ltd. (formerly Greca Holdings Ltd.) and its subsidiary companies at May 31, 1969 and the consolidated statements of income and deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies at May 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change, with which we concur, in the treatment of supplies inventory referred to in Note 9 to the financial statements.

THORNE, GUNN, HELLIWELL & CHRISTENSON
Chartered Accountants

August 1, 1969

NATIONAL HOSPITAL MANAGEMENT SERVICES LTD.
(formerly Greca Holdings Ltd.)
and subsidiary companies

**CONSOLIDATED STATEMENT OF
INCOME AND DEFICIT**

YEAR ENDED MAY 31, 1969

Revenue		\$ 3,402,287
Expenses		
Operating expenses	\$2,354,872	
Depreciation (Note 2)	277,793	
Interest on long-term debt	592,205	3,224,870
Income before undernoted items		177,417
Income taxes (Note 8)		122,850
Income before extraordinary items		54,567
Extraordinary items		
Reduction in income taxes due to the carry-forward of prior years' losses (Note 8)	94,400	
Supplies inventory expensed less income taxes re- lated thereto (Note 9)	(37,762)	56,638
Net income for the year		111,205
Deficit at beginning of year		578,380
		467,175
Credit arising from the elimination of deficit, applicable to the period of control, of those subsidiary companies whose shares were sold at cost during the year		237,851
Deficit at end of year		\$ 229,324

NATIONAL HOSPITAL MANAGEMENT SERVICES LTD.
(formerly Greca Holdings Ltd.)
and subsidiary companies

**CONSOLIDATED STATEMENT OF
SOURCE AND APPLICATION OF FUNDS**

YEAR ENDED MAY 31, 1969

Source of funds

Operations

Net income for the year	\$	111,205
Add depreciation which does not involve current funds		277,793
		<u>388,998</u>

Repayment of advances to shareholders	\$	961,514
Current portion of long-term debt deferred and reclassified as long-term debt		400,000
Elimination of working capital deficiency of those subsidiary companies whose shares were sold during the year		86,335
Share subscriptions paid	1,000	1,448,849
		<u>1,837,847</u>

Application of funds

Addition to fixed assets, less proceeds from disposals	1,263,734
Advances to affiliated companies, net	143,618
Assumption of working capital deficiency of those subsidiary companies whose shares were acquired during the year	58,941
Payment of financing costs	17,195
Payments on long-term debt	9,360
	<u>1,492,848</u>
Decrease in working capital deficiency	344,999
Working capital deficiency at beginning of year	708,446
Working capital deficiency at end of year	<u>\$ 363,447</u>

NATIONAL HOSPITAL MANAGEMENT SERVICES LTD.
(formerly Greca Holdings Ltd.)
and subsidiary companies



**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 1969**

1. BASIS OF PRESENTATION

The consolidated balance sheet includes the accounts of the following wholly-owned subsidiary companies as at May 31, 1969:

Altamont Nursing Home Ltd.
Brentwood Nursing Home Ltd.
Chelsey Park Nursing Home Ltd.
Cheltenham Nursing Home Ltd.
Chinook Nursing Home Ltd.
Parkside Nursing Home Ltd.
Quasar Construction Company Ltd.
Rockcliffe Nursing Home Ltd.
Southwood Nursing Home Ltd.
Tullamore Nursing Home Ltd.

The consolidated statements of income and deficit and source and application of funds reflect the operations of the following companies for the periods noted:

- a) For the year ended May 31, 1969:
- National Hospital Management Services Ltd.
(formerly Greca Holdings Ltd.)
 - Altamont Nursing Home Ltd.
 - Cheltenham Nursing Home Ltd.
 - Parkside Nursing Home Ltd.
 - Tullamore Nursing Home Ltd.

- b) For the period April 25, 1969, being the date of acquisition of the shares in the companies, to May 31, 1969:

Brentwood Nursing Home Ltd.
Southwood Nursing Home Ltd.
Quasar Construction Company Ltd.

- c) For the period June 1, 1968 to April 25, 1969, on which latter date the shares in these companies were sold:

Hycroft Towers Ltd.
Quasar Limited
Rideau Towers Ltd.
Waverley Manor Ltd.

- d) For the period January 1, 1968 to May 31, 1969:

Chinook Nursing Home Ltd.

The above company changed its year end from December 31 to May 31. The consolidated financial statements at May 31, 1968 included its operations for the period from January 1 to December 31, 1967. The current consolidated financial statements therefore include its results for the period from January 1, 1968 to May 31, 1969. The income for the five months ended May 31, 1969, before the adjustment relating to supplies inventory, was \$4,022.

Neither Chelsey Park Nursing Home Ltd. nor Rockcliffe Nursing Home Ltd. operated during the year ended May 31, 1969.

Because of the substantial changes during the year in the companies' operations, comparative figures for the preceding year would not be meaningful and therefore have not been provided.

2. DEPRECIATION

Depreciation is provided on a straight-line basis at the following rates:

Buildings 2% and 5%
Equipment 10%
Parking lots 4%

3. LONG-TERM DEBT

Long-term debt consists of the following:

a) First mortgages	
7½% maturing 1972	\$ 2,178,787
7½% maturing 1984	346,875
7½% maturing 1984	346,875
7% maturing 1985	502,971
	3,375,508
b) 8½% loan payable, secured by mortgages, maturing 1971	6,555,706
c) Interim financing on construction, to be re- paid out of the proceeds of a completion mortgage	290,000
	10,221,214
Deduct amount due within one year included in current liabilities	123,688
	<u>\$10,097,526</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The 8½% loan payable, secured by mortgages, maturing 1971 was repaid in July, 1969 (see Note 10).

Principal payments due within the next five years on first mortgage debt are as follows:

1970	\$ 123,688
1971	129,716
1972	2,116,251
1973	65,980
1974	67,474

4. CAPITAL STOCK

On April 23, 1969 the Registrar of Companies of British Columbia issued a Certificate providing for the increase in the authorized capital of the company from 50,000 shares to 4,000,000 shares without nominal or par value and for the subdivision of the 1,000 issued shares into 2,380,000 shares.

On April 25, 1969 the company acquired all the issued shares of Brentwood Nursing Home Ltd. and Southwood Nursing Home Ltd. for an aggregate consideration of 120,000 shares, issued at \$5 per share.

955,000 shares are reserved for issuance upon exercise of Share Purchase Warrants and Series A Convertible Debentures issued in July, 1969.

5. RIGHTS

During the year the company issued share purchase rights rateably to shareholders of the company entitling the holders thereof to purchase 200,000 shares at \$5.50 per share if exercised on or before June 15, 1979. Subsequent to the balance sheet date these rights were surrendered as described in Note 10.

6. COMMITMENTS

- a) Rockcliffe Nursing Home Ltd. is constructing a nursing home for which the estimated expenditures still to be made at May 31, 1969 were approximately \$475,000. The company has received a mortgage commitment in the amount of \$1,000,000 on this nursing home.
- b) Chelsey Park Nursing Home Ltd. has entered into a contract and has commenced the construction of a nursing home estimated to cost \$1,750,000.
- c) Expenses in connection with the issue in July 1969 of shares, warrants and convertible debentures are estimated at \$150,000. Of this amount \$17,195 had been paid by May 31, 1969 and is reflected in the balance sheet as financing costs.

7. CONTINGENT LIABILITY

The company has guaranteed loans to certain affiliated companies and one of its shareholders, which amounted to approximately \$1,100,000 as at May 31, 1969. In July, 1969 the company was released from its guarantee of these loans.

8. INCOME TAXES

In the aggregate the amounts provided for the depreciation of fixed assets have exceeded the capital cost allowances claimed for income tax purposes. As a result of this and other timing differences the value of depreciable fixed assets for income tax purposes is approximately \$330,000 more than the net book value.

In prior years certain of the companies have incurred losses for income tax purposes. In the current year a portion of these losses has been used to reduce taxes; this reduction is reflected as an extraordinary item in the statement of income. At May 31, 1969 the aggregate remaining balance of these losses, which may be carried forward to reduce income of future years, amounted to approximately \$448,000; of which \$276,200 arose in 1966 and \$171,800 in 1967.

In addition to the foregoing, two of the non-operating subsidiaries have claimed as losses for income tax purposes, carrying charges on land totalling approximately \$250,000, which for book purposes have been capitalized.

Except for the extraordinary item referred to above, the tax effect of the foregoing items has not been reflected in the accounts.

9. SUPPLIES INVENTORY

It has been the practice to take an annual inventory of all consumable supplies on hand in nursing homes. Examination of this procedure has revealed, however, that the cost of counting and valuing each item can not be justified when balanced against the relatively minor value of the supplies. The company therefore decided to cease this practice and has expensed the opening consumable supplies inventory, which stood at \$72,985 at June 1, 1968. This amount, less the related income tax, is shown as an extraordinary item in the statement of income.

10. TRANSACTIONS SUBSEQUENT TO THE YEAR END

a) Pursuant to an underwriting, in July 1969 the company:

- i) Issued \$3,000,000 principal amount of 7% Convertible Redeemable Sinking Fund Debentures Series A due July 2, 1984, for a consideration of \$2,947,500;
- ii) Issued 500,000 shares for a consideration of \$2,297,500 and 275,000 Share Purchase Warrants for a consideration of \$27,500;
- iii) Received payment from shareholders and affiliated companies of advances and
- iv) Repaid the 8½% loan payable, secured by mortgages, maturing 1971, in the amount of \$6,555,706 (Note 3).

b) Concurrently with the public offering of the company's securities the company issued 200,000 Share Purchase Warrants in exchange for cancellation of the 200,000 share purchase rights referred to in Note 5 and a payment to the company of \$20,000.

c) Subsequent to May 31, 1969, Parkside Nursing Home Ltd. entered into a contract for and commenced construction of an addition to its nursing home, at an estimated total cost of \$400,000.

11. OTHER STATUTORY INFORMATION

The aggregate remuneration paid by the company and its subsidiaries to the directors and senior officers of the company during the month of May 1969 was \$10,000. Prior to that time the directors and senior officers were not remunerated by the company or its subsidiaries.



PEOPLE BEHIND NATIONAL HOSPITAL MANAGEMENT SERVICES LTD.

NEIL B. COOK

President and Director

Mr. Cook is a Barrister and Solicitor. He is the founder of National Hospital Management Services. He brings with him over 15 years experience in the nursing home field. Mr. Cook first became aware of the great growth potential in the nursing home industry in 1954. To this end he has developed the concept of your company to provide a high standard of care at a reasonable cost and at the same time provide a fair return on investment.

GORDON McKEE

Executive Vice President and Director

Our Executive Vice President comes to National from E. G. M. Cape & Company Ltd. where he was for many years in charge of foreign construction. Mr. McKee is in charge of the entire expansion programme including feasibility, project development and internal and long term financing.

D. JAMES DODD

Treasurer

Formerly with City Savings and Trust Company, Mr. Dodd joined the company in early 1969 as head of our accounting department. He supervises all accounting and reporting systems in the nursing homes. Each home reports daily until full occupancy has been achieved. Thereafter, they report on a weekly and monthly basis. The reports contain information on a daily operation, including number and classification of people admitted and discharged,

number of staff, number of meals served, cost per meal per day, percentage of occupancy and number of hours of nursing care per resident.

DONALD I. DEWAR

General Manager and Director

Mr. Dewar has had wide experience in the nursing home field particularly in the areas of financing, furnishing and managing. Prior to joining the company he was Manager, Contract Division Western of The Robert Simpson Company Limited and in that capacity assisted in the financing and furnishing of the majority of the new nursing homes constructed in Western Canada. The area of his responsibility covers the supplying of all items of furnishings and equipment and coordination of the delivery with the construction of each new home. He also assumes responsibilities for coordinating the flow of information from each home and the overall administrative responsibility of each home.

MARJORIE C. DILLINGHAM

Assistant Manager and Director of Personnel and Director

Mrs. Dillingham has been associated with the nursing home industry since 1954 and has served as manager of a number of private hospitals in British Columbia. As Director of Personnel her function has been to establish a well coordinated and comprehensive program covering every phase of activity within the nursing centres. One of her major projects has been the recruiting and training of staff at all levels.



A highly trained staff in each N.H.M.S. nursing home assures the mental and physical well-being of all residents.



Beautifully appointed recreational areas are a N.H.M.S. nursing home feature.



Design consultants have created colorful and attractive interiors to meet the tastes and requirements of individual residents of all N.H.M.S. nursing homes.

'Environment' is a key consideration when selecting nursing home sites.



